

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2891-01
BILL NO. HJR 48
SUBJECT: Constitutional Amendments: Taxation and Revenue - Property
TYPE: Original
DATE: January 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$87,600)	(Unknown)	(Unknown)
Blind Pension	\$0	(\$2,100,000)	(\$2,300,000)
Highway	(\$21,086)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$108,686)	(\$2,100,000)	(\$2,300,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government*	\$0	(\$0 to \$417,000,000)	(\$0 to \$443,000,000)

*Does not include losses of about \$1,350,000 per year to the County Employees Retirement Fund beginning in FY 2002. The Fund is not considered a government fund.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Tax Commission, Department of Transportation** and the **Department of Economic Development - Division of Motor Carriers and Railroad Safety** stated that the proposal would not have meaningful administrative impact on their agencies.

Estimated possible revenue losses assume 75% of motor vehicle valuations are non-commercial, an average local tax rate of \$5.87, and tax collections increasing 6% per year. The Blind Pension Tax rate is \$.03. Motor vehicle sales tax collections were \$441 million in 1998.

Oversight notes that political subdivisions are required to adjust property tax rates to take into account changes in assessed valuation by section 137.073. Rates may be rolled back or "rolled up" to the tax rate ceiling. There will be three possible effects on political subdivisions:

- 1) Some subdivisions will have tax rates far enough below their tax rate ceilings that they will be able to "roll up" their rates enough to entirely offset losses due to changing assessments on certain property;
- 2) Some subdivisions will be able to "roll up" their rates enough to partially offset losses due to changing assessments on certain property; and
- 3) Some subdivisions will not be able to "roll up" tax rates because their rates are at their tax rate ceiling.

Officials of the **County Employees Retirement Fund** note that penalties assessed on entities which return their personal property lists to County Assessors after the deadline (1 March of every year) and some penalties on delinquent personal property tax are deposited in the Fund. Exempting tangible personal property from property tax would eliminate a source of the Fund's income. Officials note that the projected losses (about \$1,350,000 per year) would, if not
ASSUMPTION (continued)

replaced eventually require the Fund to reduce benefits by ten percent (10%).

Officials of the **Department of Elementary and Secondary Education** stated that reducing assessed values would, initially, increase amounts needed to fully fund the Foundation Formula. They also noted that school districts which are "on the formula" would recoup property tax collection losses from increased Formula payments; however, "hold harmless" districts would not.

Officials of the **Department of Revenue** stated that the Motor Vehicle Bureau would have expenses of \$14,452 for policy changes, forms changes, fliers, and postage; and \$6,900 for modifications to the FASTR computer system to no longer require personal property tax receipts for non-commercial motor vehicles. Costs would be to the Highway Fund.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three publications of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2000 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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GENERAL REVENUE FUND

Cost to General Revenue Fund

Secretary of State

Newspaper Advertisements	(\$87,600)		
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Department of Elementary and Secondary Education

Fully funded Foundation Formula	\$0	(Unknown)	(Unknown)
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**NET EFFECT ON GENERAL
 REVENUE FUND**

<u>(\$87,600)</u>	<u>(\$21,352)</u>	<u>\$0</u>
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BLIND PENSION FUND

Loss - Reduced Tax Collections

\$0	(\$2,100,000)	(\$2,300,000)
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**NET EFFECT ON BLIND
 PENSION FUND**

<u>\$0</u>	<u>(\$2,100,000)</u>	<u>(\$2,300,000)</u>
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FISCAL IMPACT - State Government

FY 2001	FY 2002	FY 2003
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HIGHWAY FUND

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<u>Department of Revenue</u>			
Expense and Equipment	(\$21,086)	\$0	\$0
NET EFFECT ON HIGHWAY FUND	<u>(\$21,086)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Income</u> - Higher Tax Rates	\$0	(\$0 to \$417,000,000)	(\$0 to \$443,000,000)
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<u>Loss</u> - Reduced Personal Property Tax Collections	\$0	(\$417,000,000)	(\$443,000,000)
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NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>(\$0 TO \$417,000,000)</u>	<u>(\$0 TO \$443,000,000)</u>
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*Does not include losses of \$1,350,000 per year to the County Employees Retirement Fund beginning in FY 2002 because the Retirement Fund is not considered a government fund.

FISCAL IMPACT - Small Business

This proposal would affect small businesses. They could benefit from personal property tax provisions. They could pay higher taxes on other taxable property due to tax rate adjustments.

DESCRIPTION

The proposal would exempt all non-commercial motor vehicles from tangible personal property tax.

This legislation is not federally mandated, would not duplicate any other program, would not require additional capital improvements or rental space. It would affect Total State Revenue.

SOURCES OF INFORMATION

County Employees Retirement Fund
 Department of Economic Development

GB:LR:OD:005 (9-94)

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Department of Transportation
Department of Revenue
State Tax Commission
Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 31, 2000